MCI urges the Commission to require these carriers to comply with the requirements in the direct case that they both estimate their unbillable queries and provide justification for these estimates. The range of predictions is so broad, no carrier offers adequate grounds for these projections, and the only carrier who admits to any actual experience on 800 query unbillables has significantly reduced its estimates. That is, Centel originally estimated that twenty percent of its queries would lack a valid carrier access code, and it would be required to pay for the queries, but not recover the associated costs. In its direct case, however, Centel explains that its "assumptions in this regard have not proven to be valid."[144] In fact, Centel has reduced its estimate from twenty percent down to a much more reasonable level of two percent. If the carriers who project higher levels of unbillable queries do not satisfactorily demonstrate the basis of their estimates, MCI urges the Commission to restrict them, at most, to the two percent level that Centel has experienced.

D. SEVERAL LECS THAT DO NOT OWN THEIR OWN SCPS DO NOT APPROPRIATELY FLOW THROUGH CHANGES IN QUERY RATES OF THE UNDERLYING CARRIERS

Not all carriers responded that they intend to flow through any underlying query rate changes to their tariffed query rates. Lafourche and Lincoln, for example, do not disclose their plans with respect to cost flow-throughs.[145]

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[144] Centel at 6.

[145] Lincoln states simply that its "SCP provider has not revised its rates." Lincoln at 4.

ALLTEL, Sugarland, and Great Plains Telephone believe that they should be required to make tariff filings reflecting underlying cost changes only when the impact on their query rates is material.[146] Because these carriers do not provide any data or indicate what they mean by "material," the Commission should reject these arguments. All carriers who provide query service from neighboring carriers must be required to pass through any rate changes to their end users.

Although the rate of return carriers almost exclusively do not possess their own SSP technology (and must, therefore, purchase query service from the tariffs of neighboring LECS), they generally failed to address the question of how to handle the tariffing of these queries, when the neighboring LEC also included a query charge in its tariff. Only three carriers responded to the Commission's inquiry at all. Both ALLTEL and its Sugarland subsidiary expressed a need to recover those expenses through a tariffed query rate. If they cannot file such charges, they argue, the SCP provider must not be able to apportion the SCP expenses to the rate of return SSP providers.[147] The Independents simply remarked that meet point billing principles would alleviate any concerns regarding the risk of double billing.[148] Although these responses fall short of answering what type of query billing should be implemented, they, unlike the other carriers, at least attempted

[146] ALLTEL at 4; Sugarland at 3; and Great Plains at 3.

[147] ALLTEL at 4; and Sugarland at 3.

[148] The Independents at 6.

to respond to the Commission's inquiry. All carriers should be required to illustrate how they intend to handle tariffing of these queries.

II. THE COMMISSION SHOULD REQUIRE THE LECS TO INCORPORATE REASONABLE TERMS AND CONDITIONS IN THEIR 800 DATA BASE QUERY TARIFFS

In the 800 Designation Order, the Commission requested comment on terms and conditions in the LEC 800 data base access tariffs. Specifically, the Commission directed parties to address, among other issues, the clarity of the level of service routing delineation included in basic 800 query service; charges for queries associated with calls not delivered; the uniformity of tariff provisions; the LECs' marketing of vertical features directly to end users; and bundling of RESPORG services with vertical features.[149] The Commission also posed the question of whether the LECs should include RESPORG services in their 800 data base tariffs.[150]

MCI contends that the LECs' explanations of the terms and conditions, as offered in their direct cases, fall far short of providing ample clarification. While some carriers -- such as Ameritech -- make efforts to explain their terms and conditions in some depth,[151] others rely on simple statements void of any discernable justification or detail. Other carriers -- generally

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[149] 800 Designation Order at 5133.

[150] Id.

[151] See, e.g., Ameritech's explanation of the inability of the SMS/800 and the SCP to distinguish instructions entered for a single NPA-NXX from a LATA-wide instruction. Ameritech at 2.

the small rate of return carriers -- either do not even address the issue of terms and conditions at all,[152] or offer no support to their simple statements that their terms and conditions were sufficiently clear.[153] Most egregious of all is US West's cavalier attitude. US West flagrantly disregards the Commission's request for further information, claiming it "has previously documented that the few criticisms made against its tariff were either misplaced or misinformed. Because no one has even attempted to refute this demonstration, no purpose would be served by US West repeating that demonstration here."[154] US West then proceeds to either not respond at all to the enumerated issues, or to offer the remark that it "takes no position" on an issue.[155] Although interested parties can make the additional effort to research US West's past filings and effectively create US West's response to the direct case for it, MCI doubts that this result comports with the Commission's intentions when it directed the LECs to file these direct cases.

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[152] ALLTEL, Great Plans, GVNW, LaFourche, Lincoln, Sugarland, and TUECA do not address 800 data base tariff terms and conditions in their direct cases.

[153] See, e.g., Anchorage Telephone Utility at 1 ("The terms and conditions of ATU's 800 data base tariff are fully consistent with the Communications Act and with the Commission's Orders in CC Docket No. 86-10.")

[154] US West at 1.

[155] See, e.g., Id. at 2.

A. DESCRIPTIONS OF AREA OF SERVICE ROUTING SHOULD COMPLY WITH THE COMMISSION'S ORDER

In its Petition for Rejection and Suspension and Investigation, MCI requested that the Commission more specifically define geographic area of service (AOS) routing in LEC tariffs.[156] In an April 1, 1993 letter to Cheryl Tritt, Chief of the Common Carrier Bureau, MCI clarified its request. In particular, MCI seeks geographic aggregations "down to the LATA level, i.e., routing by state of origination, by originating NPA, by originating NPA-NXX or by LATA. . . .."[157] While a few of the carriers have responded to this request by clarifying their tariff language in their direct cases most of them have not adequately addressed MCI's concerns.

For example, MCI earlier criticized Ameritech's tariff language because, while it implied that any other geographic routing besides NPA-NXX would be considered "basic," it did not clearly incorporate the Commission's required definition of AOS by LATA.[158] In its direct case, Ameritech corrects this deficiency by explaining that due to the inability of its SMS/800 and SCPs to distinguish an NPA-NXX instruction from one intended to cover an entire LATA's traffic, it "must treat both situations as basic."[159] Since the SMS/800 is shared by all carriers, it would

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[156] MCI Petition at 31.

[157] See CC Docket 93-129, MCI Ex Parte letter, dated April 1, 1993 at 2.

[158] MCI Petition at 28.

[159] Ameritech at 2.

naturally follow that this scenario would apply to all LECs.[160] It is not clear, however, whether some of the other carriers intend to provide geographic routing to the state, NPA, or NPA-NXX level as part of their basic services. For example, while Bell Atlantic explains it will provide AOS routing to the state or LATA level, it does not indicate whether, despite its apparent ability, it will provide AOS routing to the NPA or NPA-NXX level as well. Simply stating that it believes its tariff "clearly describes"[161] or "clearly indicates"[162] does not adequately clarify the level of geographic routing option available under basic service. MCI has no reason to believe that Bell Atlantic will offer basic routing to the NPA or NPA-NXX level, and urges the Commission to require Bell Atlantic either to explain why it cannot, or require it to offer such routing options as basic.

Although BellSouth acknowledges that multiple carrier routing will be part of basic service,[163] it continues to offer a nebulous description of its area of service: it will deliver calls "based on routing information associated with the 800 number."[164] Such a description simply is inadequate because it does not indicate

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[160] CBT's response on this issue also is satisfactory "because CBT is using Ameritech's SCP services, [and] CBT is necessarily limited to offering the same basic features as Ameritech, including area of service routing." CBT at 2.

[161] Bell Atlantic at 1.

[162] Id.

[163] BellSouth, Exhibit 1 at 1.

[164] Id.

what information associated with the 800 number will be used in determining the routing of the call. BellSouth's tariff language does not concur with MCI's understanding of the matter reached by contacting BellSouth representatives. That is, if BellSouth does intend to offer state, LATA, and NPA routing now as basic, with NPA-NXX available in the fourth quarter, its tariff should explicitly indicate that this is the case. It simply is not evident what type of routing BellSouth plans to provide.

NYNEX and PacTel imply in their direct cases that multiple carrier AOS routing is available all the way to the NPA-NXX level,[165] yet language in their tariffs continues to suggest that such routing is considered to be a vertical feature. NYNEX, for example, includes routing to multiple carriers by "NPA/NXX or specific telephone number of the calling party"[166] as a vertical feature.[167] Also, PacTel has failed to address how its basic offerings are different from the separate multiple destination and routing services (based on "NPA-NXX-XXXX") for which there is a discrete charge.[168] It certainly is not ascertainable whether the difference is that the basic service is not available from multiple carriers or whether the vertical service goes beyond NPA-NXX

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[165] NYNEX at 3 and PacTel at 2.

[166] NYNEX Tariff FCC No. 1, Original Page 6-5.1, Section 6.1.1(C)(1).

[167] MCI has confirmed in verbal discussions the unavailability of basic routing to the NPA-NXX level.

[168] See, e.g., Pacific Bell Tariff FCC No. 128, p. 181.35, Section 6.2.13(B) and p. 240.10, Section 6.8.12.

routing, all the way to the line number. MCI believes that Nevada Bell intends to offer AOS routing down to the NPA-NXX level, and at the state level as well. Neither its tariff language nor its direct case, however, makes this clear; nor does it satisfactorily address what technical difference allows Nevada Bell, but not Pacific Bell, to offer state-level routing.

Further, it is MCI's understanding that both SWBT and US West intend to offer the full range of geographic routing (except ANI) as basic services, yet neither their tariffs nor their direct cases provides any confirmation. SWBT continues to offer a separate feature that allows for call origination only from a subscriber's "customized service area."[169/] The distinction between this service and the basic query service that the Commission requires to be customizeable (based on state, LATA, NPA, or NPA-NXX) simply is not evident. Although US West failed to address AOS routing in its direct case as directed by the Commission, it responded to the issue in its Reply to the Petitions to Reject or Suspend. US West explained there that the "only AOS-type feature that will be offered as a vertical feature is routing by the originating telephone number,"[170/] yet it does not adequately explain whether multiple terminations -- that it indicates are available as vertical features -- are available as part of the basic query function as well. Similarly, several other carriers indicate only

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[169/] SWBT Tariff F.C.C. No. 73, Original Page 6-150.2, Section 6.7.3 (G)(2).

[170/] US West at 17.

that they will offer basic query service at the LATA level.[171] There is little benefit to AOS routing on the LATA level unless multiple carrier termination is part of the service. All these carriers must better articulate whether this feature is part of basic, or only vertical, features.

Finally, the direct cases of Centel and United state that "800 calls may be routed to different customers based on the local access transport area in which the call originates."[172] Yet, in verbal discussions with MCI, United and Centel have explained that LATAs that overlap state boundaries prevent them from offering state level routing. This does not comport with MCI's understanding of Ameritech's explanation of the SMS functionality, and MCI requires additional clarification. Further, since such a phenomena is not unique to these carriers, it is curious that this poses such a restriction for them alone. It simply is not clear what level of routing is truly intended by the carriers which indicate they will provide LATA level routing. None of these carriers has explained why it will not offer routing to the NPA or NPA-NXX levels, or why it did not clarify its options more fully in its direct case.

In sum, the language of the carriers' tariffs and the explanations they offer in the direct cases regarding the type of AOS routing they will offer is confusing and often imprecise. As

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[171] See, e.g., Centel at 2; Century at 4; NECA at 5; Rochester at 3; SNET at 2; and United at 3.

[172] Centel at 2 and United at 3.

MCI has shown, carriers may use virtually the same language, yet have different interpretations of what services they actually intend to offer. MCI requests that the Commission require the carriers to provide further and more detailed explanations of these service offerings, and that they offer AOS routing as a basic service to the LATA, state, NPA, and NPA-NXX levels.

B. VERTICAL FEATURES SHOULD NOT BE BUNDLED WITH BASIC QUERY CHARGES

The Commission asked for comment on whether the LECs have used reasonable rate making methodologies in developing their basic query and vertical features rates.[173/] MCI has identified several LECs that continue, unreasonably, to bundle vertical and basic features.[174/]

Some of the LECs asked the Commission to reconsider its original decision to require unbundling of vertical features. However, in its 800 Database Reconsideration Order, below, the Commission denied these requests:

> A number of IXCs have or will have their own data base systems and will seek to use these systems to provide

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173/ 800 Designation Order at paras. 30-32.

174/ Ameritech and SWBT have separate rate elements for POTS translation, but set the rate element at zero. BellSouth proposes identical rates for the basic query with or without POTS translation. GTE proposes an identical rate for basic and vertical features queries. These rates effectively do not recognize any cost differential between POTS translation and the basic query. See Ameritech Operating Company Tariff FCC No. 2, 7th Revised Page 228, Section 6.9.4 (A)(3); BellSouth Tariff FCC No. 1, 1st Revised Page 6-178, Section 6.8.10; GTE Telephone Companies Tariff FCC No. 1, 19th Revised Page 143, Section 4.6.3 (A); GTE Services Tariff FCC No. 1, 2nd Revised Page 246, Section 6.6.12(B); and Southwestern Bell Telephone Co. Tariff FCC No. 73, Original Page 6-209, Section 6.8.7.

> vertical services to their customers. Absent a more convincing showing that the costs of providing particular vertical services are inconsequential, we will not in effect require IXCs that would otherwise provide vertical services themselves to purchase these services from a LEC.[175]

"POTS translation" was clearly included in the requirement for unbundling, as it has been consistently defined as a vertical feature by the Commission.[176] Several LECs developed separate POTS translation rates but then set those rates to zero so that effectively they have bundled them together with their basic rate. GTE effectively bundles all of its vertical feature offerings with basic features by setting the query rate the same whether a vertical features query or basic query is purchased. These LECs have added nothing in their direct cases to demonstrate that these rates should be set at zero. In fact, other LECs have apparently found significant costs associated with the POTS translation and vertical features functionality. Thus, all LECs should be required to unbundle their rates in accordance with the Commission's order.

C. DEFINITIONS OF "QUERY" MUST NOT BE UNREASONABLY VAGUE

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[175] See Provision of Access for 800 Service, Report and Order, CC Docket No. 86-10, 4 FCC Rcd 2824 (1989), recon. Memorandum Opinion and Order on Reconsideration and Second Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 5421 (1991) at para. 50 (800 Database Reconsideration Order).

[176] The Commission has consistently defined "vertical features" to include "(1) call validations(ensuring that calls originate from subscribed service areas); (2) POTS translation of 800 numbers (which is generally necessary for the routing of 800 calls); (3) alternate POTS translation (which allows subscribers to vary the routing of 800 calls based on factors such as time of day, place of origination of the call, etc.); and (4) multiple carrier routing (which allows subscribers to route to different carriers based on similar factors." Id. at para. 4.

Only two carriers, Bell Atlantic and SWBT, indicate that they intend to apply a query charge only for calls that are delivered to the IXC.[177] MCI submits that charging for queries in that manner is the only way that IXCs can audit their query bills. Otherwise, it would be possible for LECs (inadvertently or otherwise) to bill IXCs for queries that did not take place, and IXCs would have no method of verifying whether the queries for which they are charged actually transpired.

Nor are all the carriers who insist upon billing these unverifiable queries consistent in the circumstances under which they intend to bill them. Further, it is not always clear what the carriers actually mean by their tariff language or direct case explanations. For example, GTE is explicit that it will charge for those queries that were simply "received."[178] NYNEX and PacTel appear to base their query charges on the same criterion: NYNEX will charge whenever it receives a valid customer identification code,[179] while PacTel will not charge if "a call is routed to a vacant code or to an out of band code."[180] Similarly, Rochester and Vista intend to bill IXCs "per attempt, even if the associated call could not be delivered to the interexchange carrier."[181] There simply is too much leeway in tariff interpretation when

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[177] Bell Atlantic at 1-2 and SWBT at 2.

[178] GTE at 3.

[179] NYNEX at 4.

[180] PacTel at 3.

[181] Rochester at 3.

carriers use terms such as "processed," "received," or "attempt," without further explanation.

Although MCI disagrees with their intentions, Ameritech precisely states that calls that are not routed nonetheless would be billed for the associated query "when the carrier's facilities are busy or ... where the caller hangs up immediately after dialing the last digit"; and both NECA and CBT provide specific and lengthy explanations of possible outcomes of call attempts and the associated billing scenarios.[182] Similarly, BellSouth will assess charges for "completed data base queries despite nondelivery of the associated call. . . ."[183] In its direct case, PacTel offers to add the word "completed" to its tariff language describing query rates.[184] MCI requests that PacTel, as well as Ameritech, GTE, and NYNEX include that language. Additionally, MCI believes these carriers should define precisely what the carriers mean by "completed call."

Again, because US West refused to address this issue as well, MCI can only ask that if US West does not include such language, that it be required to also incorporate it in its tariff.

The need for precision in the LECs' descriptions of when they would charge for a query associated with an uncompleted call would be eliminated, however, if the Commission were to not allow LECs to

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[182] Ameritech at 3, NECA at 9-10 and CBT at 3. The Independents indicate they will concur with NECA's terms and conditions. Independents at 4.

[183] BellSouth Exhibit 1A at 2.

[184] Pactel at 3.

charge for queries associated with uncompleted calls. MCI continues to argue that it is inappropriate to charge for queries that cannot be associated with a completed call, and it has addressed this issue in its Petition for Reconsideration.[185]

D. "RESPORG" SERVICES MUST BE DEFINED IN THE TARIFF

MCI agrees with NYNEX who correctly recognizes that "RESPORG" service is incidental and necessary to the provision of 800 service and generally will be provided by common carriers."[186] Accordingly, it commends those other carriers -- Ameritech, BellSouth, and SNET -- who also appropriately recognize that RESPORG services should be tariffed. Further, MCI is astounded that US West acquiesced to the Commission's request for information on this matter. US West, however, as well as Bell Atlantic, GTE, and PacTel, did not file RESPORG tariffs. MCI urges the Commission to require these carriers (and SWBT, who did not address the issue) to file RESPORG tariffs.

E. PROHIBITIONS AGAINST SELLING VERTICAL FEATURES TO END USERS SHOULD BE INCORPORATED INTO THE LEC TARIFFS

US West's failure to explain how it intends to market vertical features in its direct case is particularly egregious since it is US West who AT&T and Sprint believed had "fail[ed] to explicitly limit the sale of these vertical features to carriers, potentially making these services available directly to the IXCs' 800 service

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[185] Provision of Access for 800 Service, CC Docket 86-10, Petition for Reconsideration, filed by MCI on March 12, 1993.

[186] NYNEX at 5.

subscribers."[187] Otherwise, MCI is generally satisfied with the carriers' responses to this issue in their direct cases. In particular, it was pleased to see BellSouth's renewal of its offer to amend its tariff language to more explicitly state that vertical features will be marketed exclusively to IXCs.[188] Similarly, Centel acknowledges that its tariff could be "amended to more explicitly state that optional features are not available to customers of IXCs. . . ."[189] MCI urges both BellSouth and Centel to make these modifications to their tariffs.

III. THE RBOCS HAVE FAILED TO DEMONSTRATE THAT THE SMS TARIFF IS REASONABLE

A. THE RBOCS HAVE NOT JUSTIFIED THEIR SMS ACCESS RATES

In its SMS Petition, below,[190] MCI expressed concern that the RBOCs failed to follow the Commission's rules with respect to jurisdictional cost allocation for SMS service. The RBOCs now assert that all costs for providing SMS access have been classified as expense items in account 32.6124 (General Purpose Computer Expense)[191] which, according to Part 36 of the Commission's rules, should be allocated among the operations based upon the separation

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[187] See, e.g., AT&T Petition at 7, f.n. 20.

[188] BellSouth Exhibit 1A at 3.

[189] Centel at 3.

[190] Provision of Access for 800 Service, Bell Operating Companies, Transmittal No. 1, Tariff FCC No. 1, Petition for Rejection and Suspension and Investigation, filed by MCI on March 22, 1993 (MCI SMS Petition).

[191] RBOCs at 24.

of account 2110, Land and Support Assets,[192] which is apportioned on the basis of separation of the costs of the combined Big Three Expenses.[193]

The RBOCs characterize SMS access as a completely interstate service.[194] However, the SMS clearly has been and will be used for wholly intrastate, combined intrastate and interstate, as well as wholly interstate 800 numbers. Thus, it is completely inappropriate, as the RBOCs propose, to directly assign all of the SMS expense to the interstate jurisdiction. Further, the Commission recently disallowed such a practice, in deciding that the LECs cannot avoid their responsibilities under the Commission's Part 36 rules by overuse of "direct assignment."[195]

MCI, therefore, respectfully requests that the Commission require the RBOCs to calculate the amount of SMS cost that should have been allocated to the intrastate jurisdiction and remove those costs from their interstate rates.

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[192] 47 C.F.R. Section 36.311.

[193] The Big Three Expenses include the following accounts: 6210 - Central Office Switching Expenses, 6220 - Operator Systems Expenses, 6230 - Central Office Transmission Expenses, 6310 - Information Origination/Termination Expenses, 6410 - Cable and Wire Facilities Expenses, 6530 - Network Operations Expenses, 6610 - Marketing and 6620 - Services. 47 C.F.R. Section 36.112.

[194] RBOCs' 800 Service Management System (SMS/800) Tariff FCC No. 1 (SMS Tariff), D&J at 3.

[195] See Applications for Review of the Common Carrier Bureau's Letter of Interpretation Regarding the Clarification of the Role of Direct Assignment in the Jurisdictional Separations Process, Memorandum Opinion and Order, AAD 91-48, Released March 3, 1993.

The RBOCs also fall short on justifying the total amount of costs for 800 SMS access. The bulk of these costs are comprised of affiliate transactions with SWBT and/or Bellcore. The RBOCs baldly assert that these transactions are reasonable. For example, with respect to SWBT, the BOCs state that:

> The relationship between the BOCs (with Bellcore acting as their agent) and Southwestern Bell Telephone Company (SWBT) does not support an inference that the price paid for data center operations is in any way unreasonable. The BOCs have absolutely no incentive to pay an inflated price to SWBT. To the contrary, their interest lies in paying reasonable prices for the services needed to offer SMS/800 support. And, in fact, SWBT's prices are reasonable. SWBT priced its data center services at fully distributed cost. Also, Southwestern Bell procured the equipment for the data center upgrade through a competitive bidding process.[196]

The RBOCs claim that they have no incentive to pay more for services offered by SWBT. However, clearly both SWBT and Bellcore allocate costs between services currently purchased by the RBOCs.[197] Since the RBOCs are not allowed to increase their rates for upgrades to these services under price caps,[198] they do have an incentive to allocate more cost to SMS/800, for which the Commission has allowed cost recovery.[199] The RBOCs have not indicated that the contract for data center services with SWBT was

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[196] RBOCs at 18.

[197] SWBT at 21-29.

[198] See Policy and Rules Concerning Rates for Dominant Carriers, CC Docket 87-313, Second Report and Order, 5 FCC Rcd. 6786 (1990) (Price Cap Order) modified on recon. 6 FCC Rcd 2637 (1991) (Price Cap Reconsideration Order).

[199] Provision of Access for 800 Service, CC Docket No. 86-10, Order, 8 FCC Rcd. 1423, 1426-1427.

procured through a competitive bidding process. Further, they offer little explanation of the methods used to account for these affiliate transactions.[200] The RBOCs state that SWBT uses fully distributed cost, but they have not demonstrated that the costs are reasonable or that the costs are incurred solely for the provision of 800/SMS access services.

For example, Appendix III, Schedule A summarizes the RBOC proposed expenses by year. Only the barest description of each of these costs is provided in the RBOCs' direct case.[201] For example, Appendix III, Schedule A, attached, shows that the largest expense, a net present value of $78,010,516 and 62 percent of the total proposed ongoing SMS cost, is "Data Center Operation," i.e., the Kansas City Data Center (KCDC) and its backup in St. Louis. As SWBT, one of Bellcore's owners, owns the data center used to provide SMS Access and bills Bellcore for such use (who in turn bill the RBOCs), this is an affiliate transaction subject to the Commission's rules. Despite the magnitude of this cost, the RBOCs describe it only cursorily as "the SMS/800's share of the total

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[200] In general, the Commission requires:

> When a carrier provides substantially all of a service to or receives substantially all of a service from an affiliate which are not also provided to unaffiliated persons or entities, the services shall be recorded at cost which shall be determined in a manner that complies with the standards and procedures for the apportionment of joint and common costs between the regulated and nonregulated operations of the carrier entity. 47 C.F.R. Section 32.27(d).

[201] RBOCs Attachment 4.

cost of the data center and its backup for the five year period."[202] A brief description of the components of each cost, e.g., hardware, software, personnel, etc., is also provided,[203] but the RBOCs do not delineate the amounts for individual cost components.[204] Thus, there is no detail available publicly to analyze these costs or determine the reasonableness of the increases in the budget over time.[205]

MCI was able to review costs in total. According to the RBOCs, in 1993, Data Center Operations for an eight month period will cost $13.5 million, or $20.3 million annualized. However, SWBT demonstrates that the entire cost of running the data center for all services including 800/SMS in 1992 was only $16.9 million.[206] Thus, the expense allocated to 800/SMS in 1993 was over $3 million, or 20 percent higher than the total expense of running the data center for all services in 1992. MCI could not calculate an exact amount of annual expense for the 800 SMS alone. However, MCI estimates based on the allocators for 1993 (SWBT

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[202] RBOCs Attachment 4 at 1.

[203] Id. at Pages 1-2.

[204] The Commission required SWBT to provide "by category and Part 32 account, a projection of the total annual costs for each year used in [its] representative period." 800 Designation Order, Appendix C, Question 2. However, SWBT has submitted the information in a letter, requesting confidential treatment.

[205] MCI has obtained limited additional information subject to a confidentiality agreement with SWBT. MCI submits a separate analysis of this data, requesting confidential treatment in accordance with that agreement.

[206] SWBT Exhibit C.

Exhibit D) that SWBT would have charged substantially less than the total amount of 1992 data center costs (perhaps 70-85 percent or $12-14 million) to 800/SMS. Thus, the RBOCs' proposed annual costs of $20.3 million for ongoing operations in 1993, are an estimated $6-8 million higher per year over 1992.[207] MCI would expect some additional cost due to the implementation of portability, but neither SWBT nor the RBOCs have explained the basis for this cost increase, that cumulatively through 1997 could amount to $30-40 million.

Another large component of cost ($14,013,134), also involving the affiliate SWBT, is for upgrading the data center.[208] The RBOCs claim that "[t]his item reflects the incremental costs incurred prior to national 800 Service to upgrade the hardware in the data center. These costs reflect only the SMS/800's share of costs and were allocated on the same basis as the normal ongoing data center costs."[209] The RBOCs do not explain the basis on which "normal ongoing data center costs" were allocated, but instead report only the results of these allocations.[210] However, SWBT defines the ongoing cost distribution in its direct case.

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[207] After this initial increase, the changes stabilize at around five percent per year.

[208] RBOCs Attachment 2.

[209] RBOCs Attachment 4 at 5.

[210] The RBOCs delineate the amounts for each component: hardware ($8,296,000), software ($1,496,000), personnel ($1,564,000), network ($1,292,000), floorspace ($136,000), investment ($639,000), miscellaneous ($177,000) and carrying charge for deferred recovery of costs ($413,134). Id.

According to SWBT, while some cost components are directly assigned, many are allocated to services based on usage.[211] Since no usage would be generated by a service that is not yet deployed, it is unclear how incremental "start-up" costs were allocated to 800/SMS for these components. The RBOCs have not explained their usage forecasts or other methodology used and have thus failed to justify these costs.

Additionally, the RBOCs claim to have included in "Upgrading of Data Center" certain "incremental costs" which were "incurred prior to the May 1, 1993 introduction of national 800 Service."[212] However, the RBOCs do not explain for what period prior to May 1, 1993 these costs were incurred or how they distinguished allegedly "incremental costs" from ongoing costs incurred by the RBOCs themselves or other contractors using the system for regional 800 data base services prior to that time. The Commission should

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[211] Hardware, for example, is allocated as follows: Central Processor lease and maintenance costs are allocated based on computer time used by each of the participating clients; AMDAHL DISK is directly assigned to SMS/800 but Hitachi and IBM DISKs are allocated based on usage and client data; TAPE usage is allocated based on the number of times each client reads and writes to tape, while the purchase of tapes is directly assigned; Teleprocessors are dedicated to a single client or allocated based on ports; Main Frame Printers are allocated based on pages printed, i.e., usage; miscellaneous terminals and line printers are allocated based on data center personnel dedicated to particular services; workstations are directly assigned or allocated based on terminals assigned; Telenex equipment is allocated based on the number of lines connected to this equipment; EMCOM equipment is directly assigned; the data switch is allocated based on central processor usage; and all St. Louis Hardware is assigned to 800/SMS. SWBT at 30-33 and Exhibit D.

[212] RBOCs Attachment 4 at 5.

disallow these alleged upgrade costs absent a demonstration that they are not duplicative of costs used to provide other services.

Billings by Bellcore for SMS/800 Software Support ($32,421,756) are also affiliate transactions and therefore particularly susceptible to abuse. As the RBOCs only vaguely describe the software releases and services provided,[213] it is impossible to determine clearly whether several of these software services are appropriately recovered through 800/SMS rates. However, based on the minimal description, the costs for network enhancement for Carrier Identification Code (CIC) expansion[214] should be disallowed. The Commission specifically forbade recovery under price caps of the costs for CIC expansion.[215] Similar costs would have been incurred even if 800 data base access had not been required. Therefore, it is unreasonable for the LECs to include these costs in their SMS rates. The RBOCs do not delineate specific costs for any software service category, so MCI was unable to calculate a specific disallowance. Therefore, MCI requests that the Commission require the RBOCs to calculate and exclude these costs from their 800/SMS rates.

The Commission also should require a much more detailed description and amounts by category of the other proposed Bellcore

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[213] RBOCs Attachment 4 at 2-5. The RBOCs' only attempt at reporting costs by category for Bellcore software splits it between SMS/800 ($10,500,000) and BILL/800 ($733,000). RBOCs at 29.

[214] RBOCs Attachment 4 at 3.

[215] Price Cap Order at para. 180, Price Cap Reconsideration Order at paras. 64-66.

software costs. Also, the RBOCs should provide concrete evidence, not unsubstantiated allegations, that the prices the RBOCs paid for services rendered by Bellcore in this connection should be recovered through interstate 800 access services. Also, they must show that these rates are no higher that the LECs would pay if those services were provided on a competitive basis.

The RBOCs have described their methods for allocating SMS costs to SMS access. Central in allocating these costs is an analysis of lines of code contained in the various software programs and functions used in the provision of SMS Access and an analysis of computer transactions. These two analyses are used directly to allocate the largest cost components, i.e., data center operation, data center upgrade, and software support costs,[216] and indirectly to allocate the costs of billing system development.[217] The relationship between the number of lines of code contained in a software application and the overall costs which are allocated by this method is not, to say the least, intuitively obvious. Even where some connection may exist, as in the allocation of software support costs, it is not clear that the number of lines of code is necessarily related to the cost of supporting the software. A large, but relatively mature and well-tested segment of software may well require less support than a smaller, newly-introduced segment. The RBOCs have failed to justify the use of this

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[216] RBOCs Attachment 1, Appendix 1, at 1-1, 1-2.

[217] Id. at 1-3.

methodology, or even to discuss the use of more accurate alternative methods of allocating data center and software support costs.

Further, as demonstrated above, Bellcore charges to the LECs for SMS access are recovered in the rates filed by the LECs for 800 data base access. Clearly, the apportionment of SMS costs to SCP owner/operators was handled inconsistently in the instant SMS/800 filing with the filings of individual RBOCs and other LECs for 800 data base access. RESPORGs should not be required to pay twice for the same costs. That is, the costs recovered in 800 data base access rates and the rates charged for SMS access are unreasonable in that they appear to be in excess of 100% of the costs of providing the SMS functionality.[218]

Additionally, the LECs' assumptions on demand are still inadequately explained. MCI has summarized the demand increases included in the RBOCs rate development in Appendix III, Schedule B. The RBOCs state that they have:

> based the 10% growth factor for the Customer Records rate element on user surveys and RespOrg surveys conducted by the NASC in March 1992 and January 1993. This growth factor is also consistent with projections made by other entities. Additionally, knowledge about what was already in the system (i.e., existing customer base) was factored into the demand forecasts.[219]

However, the RBOCs have every incentive to understate demand, and only they have access to information that will demonstrate whether

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[218] See Section I.A.5, above.

[219] RBOCs at 22 [footnote omitted].

their projections are accurate. The RBOCs have not demonstrated that their growth projections are reasonable.

In any event, growth factors are only one component underlying demand and the RBOCs have failed to provide detailed information on their demand assumptions. The RBOCs should, at a minimum, be required to explain the following: (1) how the existing base was determined and how it was used to calculate the beginning demand level in May, 1993; (2) whether demand projections by users/RESPORGs were used verbatim to determine growth factors or were adjusted by other factors; (3) how complete the responses were to the surveys; (4) how (and if) prior trends were analyzed; (5) what amounts were added due to expected demand stimulation on account of 800 number portability; (6) how demand stimulation was calculated; and (7) how the demand for contractual services was reconciled with the demand included in the LEC 800 data base access tariffs.

Finally, the RBOCs failed to even address the reasonableness of their proposed RespOrg Change Charge. In their initial tariff filing for this charge, the RBOCs listed the tasks that will be performed to change the RESPORG field and estimated that each change would take 18 minutes. However, there is no documentation of any time study completed to develop this estimate.

Based on the labor rate of $83.10 per hour plus some incidental costs, the RBOCs proposed a RespOrg Change Charge of $31.00. However, the RBOCs failed to provide any explanation of the process for developing the labor rate. Also, the incidental